



HOKKAN
GROUP

HOKKAN HOLDINGS LIMITED

Results of 2Q FYE Mar. 31, 2023

Briefing Material

December 6, 2022

	Billions of yen				
	2Q FY2023 Actual results	2Q FY2022 Actual results	YoY change	2Q FY2023 Beginning estimate	Actual vs. estimate
Net sales	48.0	43.0	+11.7%	49.0	-1.9%
Operating profit	2.1	2.8	-25.6%	2.5	-15.8%
Ordinary profit	2.5	3.1	-19.7%	2.7	-5.3%
Profit attributable to owners of parent	1.5	2.0	-23.3%	1.3	+19.7%

■ 1H Performance

Increasing flows of people returning from pandemic restrictions; an early ending of the rainy season led to a scorching hot weather that continued up to early July

Continuous unseasonable weather from mid-July through to early September; resurgence of the omicron mutant (7th wave)

In the soft drink market, the heatwave brought about an increase in sales of sugar-free tea and mineral water

Sales of sports drinks and whey drinks continued to grow, especially among young people. The industry as a whole outperformed its previous year's sales record

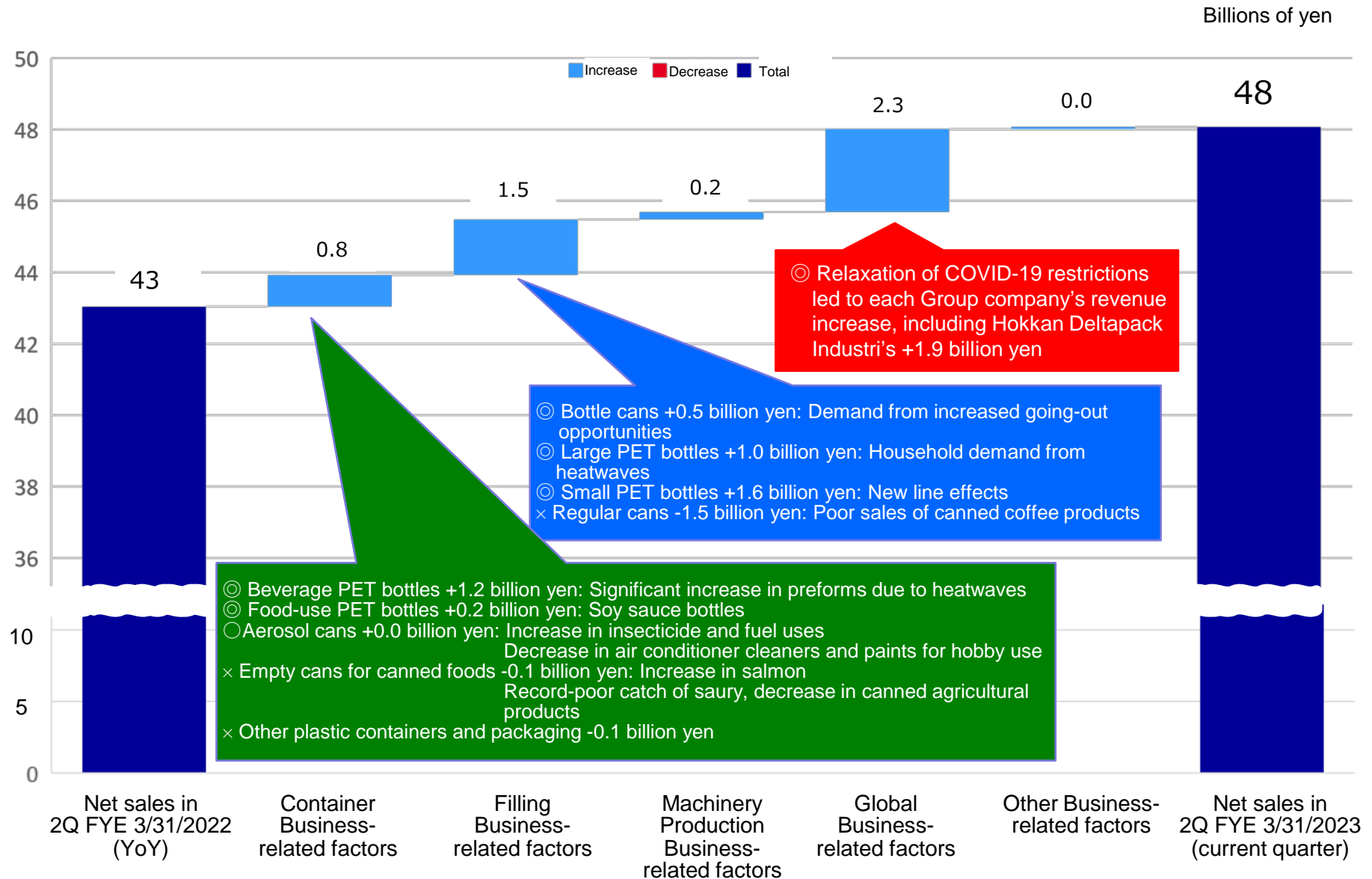
- Net sales: While all segments reported an YoY sales growth thanks to the increased flows of people, meteorological factors (an early ending of the rainy season, heatwave, etc.), and the last-minute demand before the October price rise, the announced forecast was not achieved due to the slow sales of food cans as well as a decline in sales of air conditioner cleaners and paints for hobby use, which were by contrast brisk in the previous year
- Operating profit: Decreased in terms of both YoY and comparison with the announced forecast, as a result of significant impact of soaring costs of energy and raw materials
- Ordinary profit: Non-operating income of 0.6 billion yen compared to non-operating expenses of 0.2 billion yen
- Profit attributable to owners of parent: Income taxes of 0.8 billion yen and profit attributable to non-controlling interests of 0.1 billion yen

Net Sales and Operating Profit (Loss) by Segment

Billions of yen

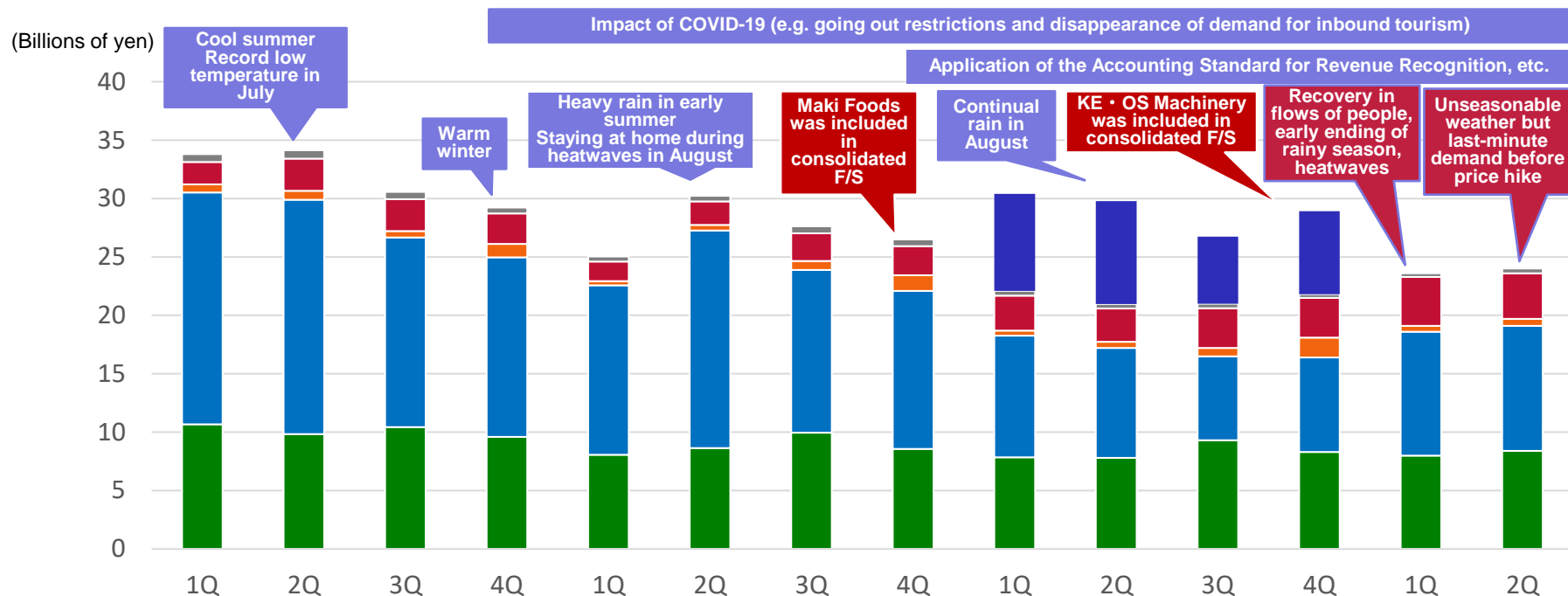
	Net sales			Operating profit (loss)		
	2Q FYE 3/31/2023	2Q FYE 3/31/2022	YoY change	2Q FYE 3/31/2023	2Q FYE 3/31/2022	YoY change
Container Business	16.5	15.6	+5.6%	(0.7)	(0.2)	–
(Share of total sales)	(34.4%)	(36.3%)				
Filling Business	21.3	19.8	+7.9%	3.2	3.5	-8.2%
(Share of total sales)	(44.5%)	(46.0%)				
Machinery Business	1.1	0.9	+21.9%	(0.2)	(0.0)	–
(Share of total sales)	(2.4%)	(2.2%)				
Global Business	8.1	5.8	+39.8%	0.5	0.4	+41.4%
(Share of total sales)	(17.0%)	(13.6%)				
Other	0.8	0.7	+7.9%	0	(0.0)	–
(Share of total sales)	(1.7%)	(1.8%)				
Adjustments (incl. intra-Group transactions)	–	–	–	(0.8)	(0.8)	–
Total	48.0	43.0	+11.7%	2.1	2.8	-25.6%

Factors Impacting Net Sales



Net Sales

The Hokkan Group's core businesses—filling business and drink container manufacturing business—are affected by climate temperature each year. In 1H FYE 3/31/2023, these businesses were affected not only by the recovery in the flows of people but also by the early ending of the rainy season and heatwaves. The weather remained unseasonable from mid-July to early September but recovered in late September. As a result, and supported by the last-minute demand before the price increase, net sales increased year-on-year.

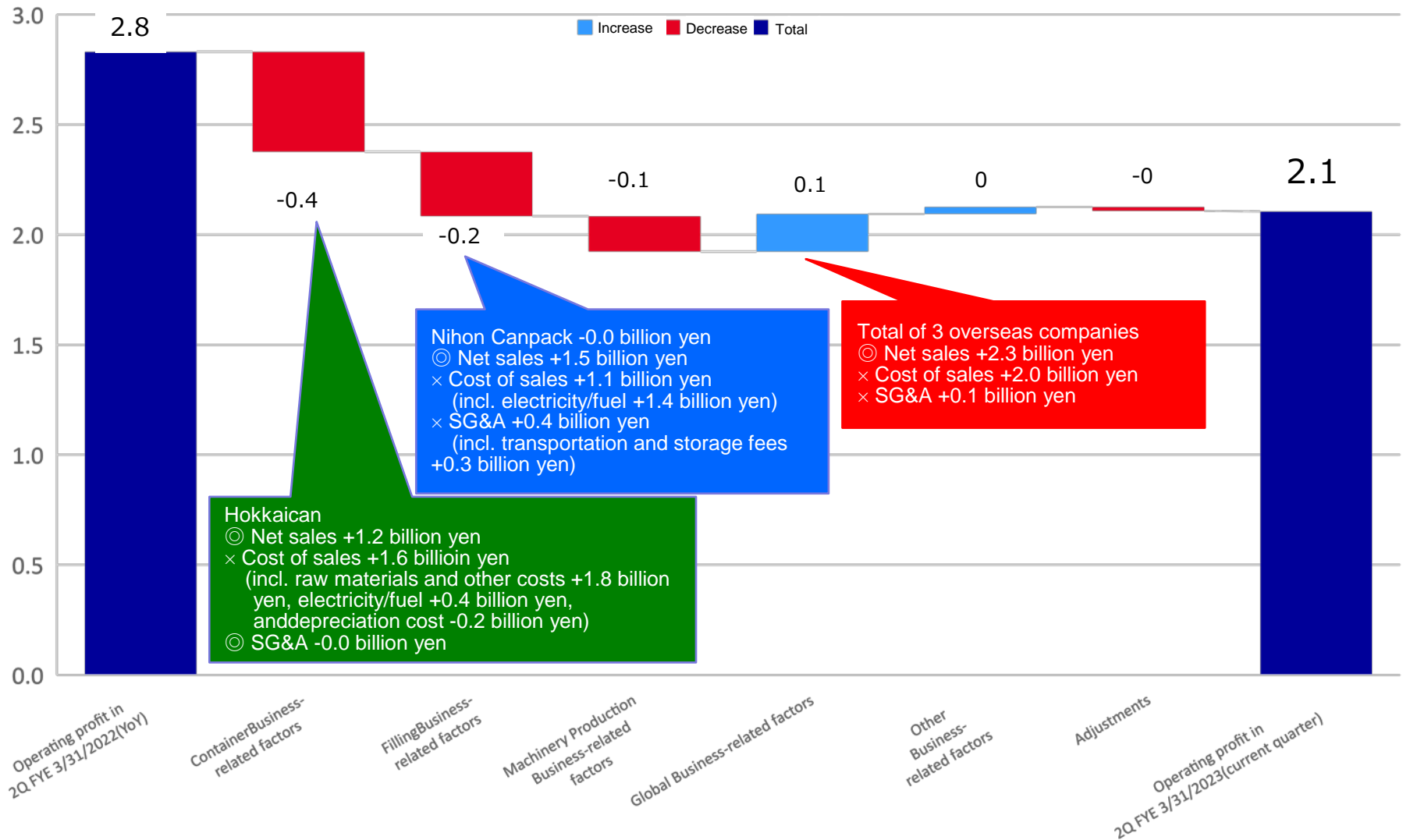


	FYE 3/31/2020		FYE 3/31/2021		FYE 3/31/2022		FYE 3/31/2023
	1H	Full year	1H	Full year	1H	Full year	1H
Consolidated net sales (billions of yen)	67.9	127.7	55.2	109.3	43.0 (-17.1 bil. yen)	86.3 (-29.9 bil. yen)	48.0
YoY (%)	+0.4	-0.8	-18.7	-14.4	YoY changes are not shown due to the adoption of the Accounting Standard for Revenue Recognition, etc., whose impact is stated in the parentheses.		+11.7

■ Container ■ Filling ■ M'ry Production ■ Global ■ Other ■ Effects of Accounting Standard

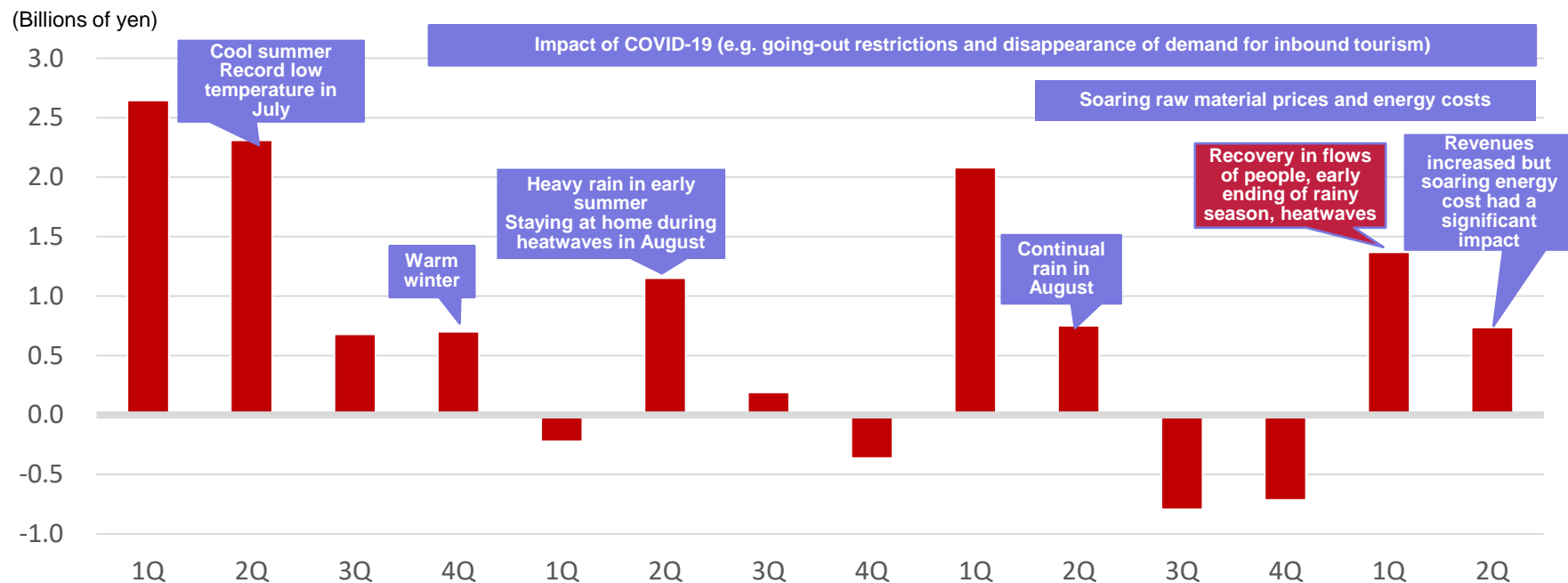
Factors Impacting Operating Profit

Billions of yen



Operating Profit (Loss)

Significantly affected by the soft drink demand during summer season, the Group's operating profit is mostly earned within the first half. In 1H FYE 3/31/2023, soaring raw materials and energy costs had a major impact on operating profit and led to an year-on-year increase in revenue and decrease in profit.



	FYE 3/31/2020		FYE 3/31/2021		FYE 3/31/2022		FYE 3/31/2023
	1H	Full year	1H	Full year	1H	Full year	1H
Consolidated operating profit (loss) (Billions of yen)	4.9	6.3	0.9	0.7	2.8 (- 0.0 bil. yen)	1.3 (+0.1 bil. yen)	2.1
YoY (%)	-9.1	+2.3	-81.2	-88.0	+203.9	+74.4	-25.6
Operating profit margin (%)	7.3	5.0	1.7	0.7	6.6	1.5	4.4

Note: Figures in parentheses denote the impact of the Accounting Standard for Revenue Recognition, etc.

Consolidated Balance Sheet

Billions of yen

Item	9/30/2022	3/31/2022	Difference	Item	9/30/2022	3/31/2022	Difference
Current assets	55.9	52.7	3.1	Liabilities	83.6	85.2	-1.6
Cash and deposits	9.9	10.0	-0.1	Current liabilities	42.3	41.5	0.8
Trade and other receivables	30.2	27.5	2.7	Notes and accounts payable	19.0	16.7	2.2
Inventories	11.7	9.6	2.1	Short-term borrowings	15.1	15.5	-0.3
Other	4.0	5.4	-1.4	Other	8.2	9.2	-1.0
Non-current assets	87.9	89.5	-1.5	Non-current liabilities	41.2	43.7	-2.4
Property, plant and equipment	66.2	67.7	-1.4	Long-term borrowings/bonds	35.0	37.4	-2.3
Buildings and structures	22.4	22.8	-0.4	Other	6.1	6.2	-0.1
Machinery and vehicles	21.6	22.6	-0.9				
Land	18.7	18.7	0.0	Net assets	60.3	57.0	3.2
Other	3.3	3.5	-0.3	Shareholders' equity	49.3	48.0	1.2
Intangible non-current assets	6.8	6.3	0.4	Accumulated other comprehensive income	6.3	4.8	1.5
Investments and other assets	14.9	15.4	-0.4	Non-controlling interests	4.5	4.0	0.4
Total assets	143.9	142.3	1.6	Total liabilities and net assets	143.9	142.3	1.6
				(Shareholder equity ratio)	38.7%	37.2%	+1.5% pts

■ Main Factors of Change

Assets: Increases in trade and other receivables (+2.7 billion yen), inventories (+2.1 billion yen), leasehold interests in land (intangible non-current assets) (+0.3 billion yen), etc. Decreases in accounts receivable - other (current assets - other) (-1.9 billion yen), PP&E (-1.4 billion yen), etc.

Liabilities: Increases in notes and accounts payable (+2.2 billion yen), income taxes payable (current liabilities - other) (+0.3 billion yen), etc.

Decreases in borrowings (-2.7 billion yen), deposits received (current liabilities - other) (-1.6 billion yen), etc.

Net assets: Increases in shareholders' equity (reporting of profit attributable to owners of parent (+1.5 billion yen), dividends paid (-0.2 billion yen)), foreign currency conversion adjustments (accumulated other comprehensive income) (+1.6 billion yen), non-controlling interests (+0.4 billion yen), etc.

Cash Flows

Billions of yen

	2Q FYE 3/31/2023	2Q FYE 3/31/2022	Difference	Main Components
Cash flows from operating activities	5.0	7.8	-2.7	Profit before income taxes: 2.5 Depreciation: 3.8 Increase in trade receivables: (2.4) Increase in inventories: (1.9) Increase in trade payables: 2.0 Income taxes paid: (2.1) Income taxes refund: 2.0
Cash flows from investing activities	(1.9)	(5.9)	4.0	Purchase of PP&E: (1.8)
Cash flows from financing activities	(3.7)	(5.0)	1.2	Net increase (decrease) in short-term borrowings: (0.2) Net increase (decrease) in long-term borrowings: (2.7) Repayments of lease liabilities: (0.4) Dividends paid: (0.2)
Effect of exchange rate change on cash and cash equivalents	0.4	0.0	0.3	
Net increase (decrease) in cash and cash equivalents	(0.1)	(3.1)	2.9	
Cash and cash equivalents at end of period	9.9	5.3	4.5	
Free cash flows	3.1	1.8	1.2	Operating CF + Investment CF

Capital Expenditures

Billions of yen

	FYE 3/31/2019	FYE 3/31/2020	FYE 3/31/2021	FYE 3/31/2022	FYE 3/31/2023 plan (latest)
Capital Expenditures	18.3	9.6	7.1	7.2	5.2
Depreciation	7.3	8.0	7.7	7.6	7.9

1H FYE 3/31/2023 Results

- Container Business: Renovation of empty can manufacturing facilities, etc. 0.3 billion yen
- Filling Business: Acquisition of aseptic filling line equipment, etc. 0.7 billion yen
- Overseas Business: Acquisition of beverage package manufacturing equipment, etc. 0.4 billion yen

FYE 3/31/2023 Full-year Plan

- Container Business: Renovation and expansion of plastic product manufacturing facilities, etc. 1.1 billion yen
- Filling Business: Acquisition of aseptic filling line equipment, etc. 1.8 billion yen
- Overseas Business: Construction of new factories, etc. 1.7 billion yen

Billions of yen

	FYE 3/31/2023 projection	FYE 3/31/2022 results	YoY change
Net sales	96.0	86.3	+11.2%
Operating profit	1.4	1.3	+5.7%
Ordinary profit	1.8	1.4	+20.9%
Profit (loss) attributable to owners of parent	0.2	(1.2)	—

■ 2H Outlook

➤ Net sales

If economic activities return to normal through relaxation of immigration restrictions and government measures, demand is likely to recover. However, there are concerns over a decline in personal consumption due to the outbreak of COVID-19 and influenza.

Measures to quickly respond to changes in demand need to be developed while paying attention to the circumstances surrounding the Group's business, such as a drop in temperature and resultant increase in demand for hot beverages and a decrease in the same for cold beverages, as well as production restraints due to price increases.

➤ Operating profit

Raw material and energy costs are likely to go up further, and the business environment around the Group is expected to remain harsh.

Pressure will be put on profit by business sectors where cost increases cannot be fully passed on to prices (such as the beverage steel can business, which is scheduled to be closed in March 2023). However, efforts must be taken to generate profits through tenacious price negotiations and further cost reduction initiatives.

Cash Dividends

	FYE 3/31/2020	FYE 3/31/2021	FYE 3/31/2022	FYE 3/31/2023
Interim dividend per share	18.75 yen	18.75 yen	23.00 yen	23.00 yen
Term-end dividend per share	26.25 yen	13.50 yen	22.00 yen	(Projection) 22.00 yen
Annual dividend per share	45.00 yen	32.25 yen	45.00 yen	(Projection) 45.00 yen
Total cash dividends	557 million yen	399 million yen	562 million yen	—
Payout ratio (consolidated)	27.9%	*	*	(Projection) 274.4%
Ratio of dividends to net assets (consolidated)	1.0%	0.7%	1.0%	—

* No data are shown for FYE 3/31/21 and FYE 3/31/22 when loss attributable to owners of parent was recorded.

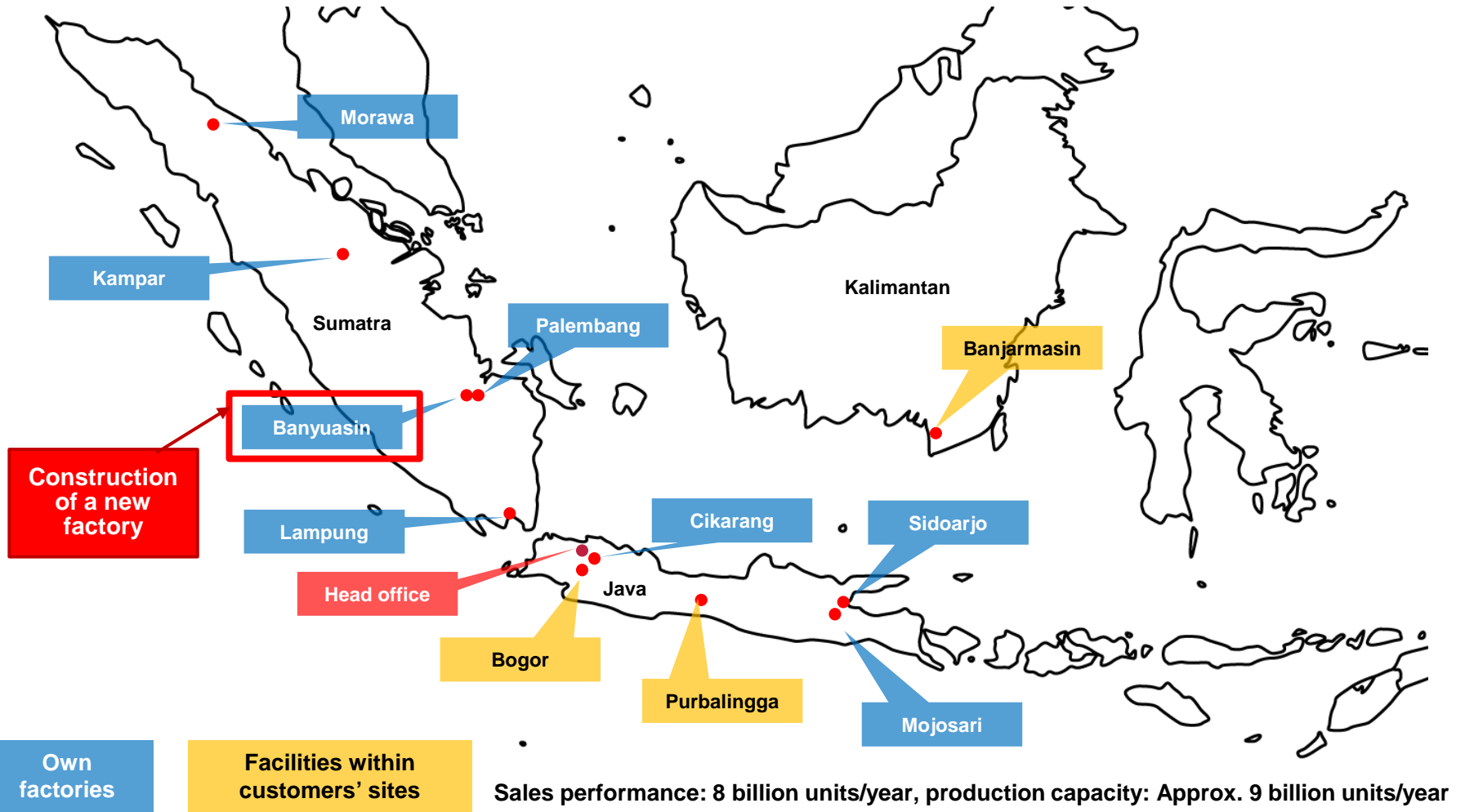
Basic Policy on Dividends

We adopt a balanced dividend policy to maximize profit return to shareholders while taking into account the needs to enhance internal reserves for realizing our growth strategy and increased financial health, from the viewpoint of increasing mid- to long-term shareholder value.

The amount of interim dividend for FYE 3/31/2023: **23 yen per share** (Payment start date: December 9)

Construction of a New Factory in Indonesia

■ Status of Hokkan Deltapack Industri (HDI)'s Cup Business



Construction of a New Factory in Indonesia

■ Purpose of Constructing the New Banyuasin Factory of Hokkan Deltapack Industri (HDI)

1. Response to growing demand for beverage cups
Respond to the growing demand for beverage cups, which has been evident in Indonesia since the lifting of social activity restrictions associated with COVID-19
2. Improvement of printed cup supply capacity
For printed cups, we have our manufacturing sites in Java only, and their supply capacity is limited.
⇒ Improve the supply capacity by constructing a new manufacturing site in Banyuasin, Smatra
3. Entry into the contract-based cup beverage filling business
Respond to the growing needs for contract-based cup beverage filling service
For HDI, filling non-water beverages is the first attempt

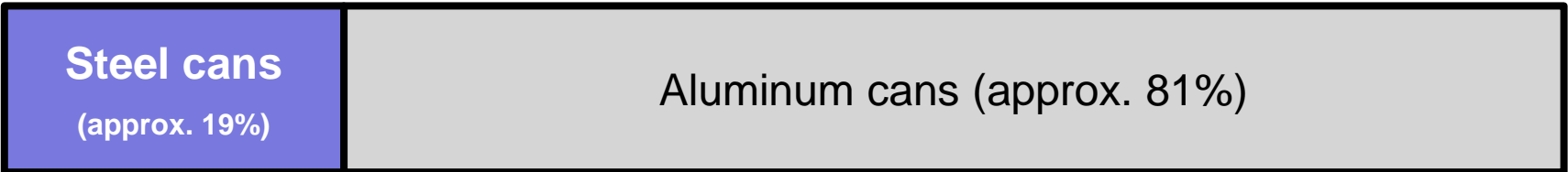
■ Overview of the New Factory

Location	Banyuasin, South Sumatra
Factory site area	Approx. 12,000 m ²
Invested equipment	Beverage filling equipment, plastic container (printed and plain cups) manufacturing equipment
Investment amount	180 billion Indonesian rupiah (approx. 1.6 billion yen)
Launching period	August 2023 (subject to change)

Withdrawal from Steel Beverage Can Business

■ Status of Steel Beverage Can Market in Japan

Beverage can market (approx. 25.5 billion bottles)



The market is dominated by canned coffee drinks (Less dominant products include fruit juice and other drinks)

Canned coffee market environment

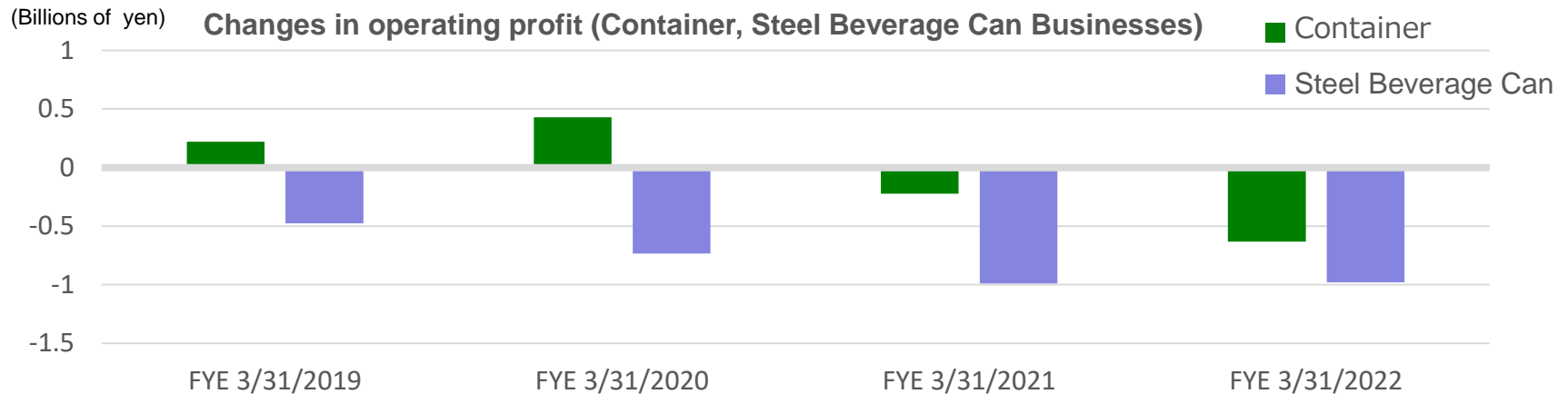
- Canned coffee is becoming less popular among young people
- Decreasing number of vending machines
- Diversified beverage selling practices including the sales of cup coffee at convenience stores
- Replacement of beverage containers (from steel cans to aluminum cans and small PET bottles)



The steel beverage can market will continue to shrink in the future

Withdrawal from Steel Beverage Can Business

■ Status of the Group's Steel Beverage Can Business



- Sales volume continued to decline after peaking in the FYE 3/31/2010 and dropped to less than 1/4 in the FYE 3/31/2022.
- The business continues to incur losses, serving as the main factor that puts pressure on the performance of the Container Business.
- Recently, the business environment has deteriorated further due to soaring raw material and energy costs.
- Although we have so far implemented cost saving and productivity improvement measures including factory closures and workforce reductions, it may not be possible to take additional actions.



We determined that it would be unable to improve the business's performance and have reached a resolution that we should withdraw from the business at the end of March 2023

Analytical efforts are currently underway to identify the impact of this matter on our consolidated results. Where any matters to be disclosed arise, announcements shall be made immediately.

Relocation of Head Office

■ Relocation of Head Office

New address

Nihonbashi Mitsui Tower 13th floor, 2-1-1
Nihonbashi Muromachi, Chuo-ku, Tokyo
(Current address: 6th floor, Marunouchi Mitsui
Building, 2-2-2 Marunouchi, Chiyoda-ku, Tokyo)

Time of relocation

January 2023 (subject to change)

Purpose of relocation

- (1) Due to aging, current office needs a renovation (cost: approx. 150 million yen). The relocation will reduce fixed costs such as rent (a reduction of approx. 22 million yen per year).
- (2) Improve the efficiency of the Group's business operations by ensuring active communication among Group companies.
- (3) Create an office layout that can respond to diverse work styles.

Others

Subject to approval by the ordinary general meeting of shareholders (scheduled in June 2023), the head office location in the Articles of Incorporation will be revised.





HOKKAN
GROUP

HOKKAN HOLDINGS LIMITED

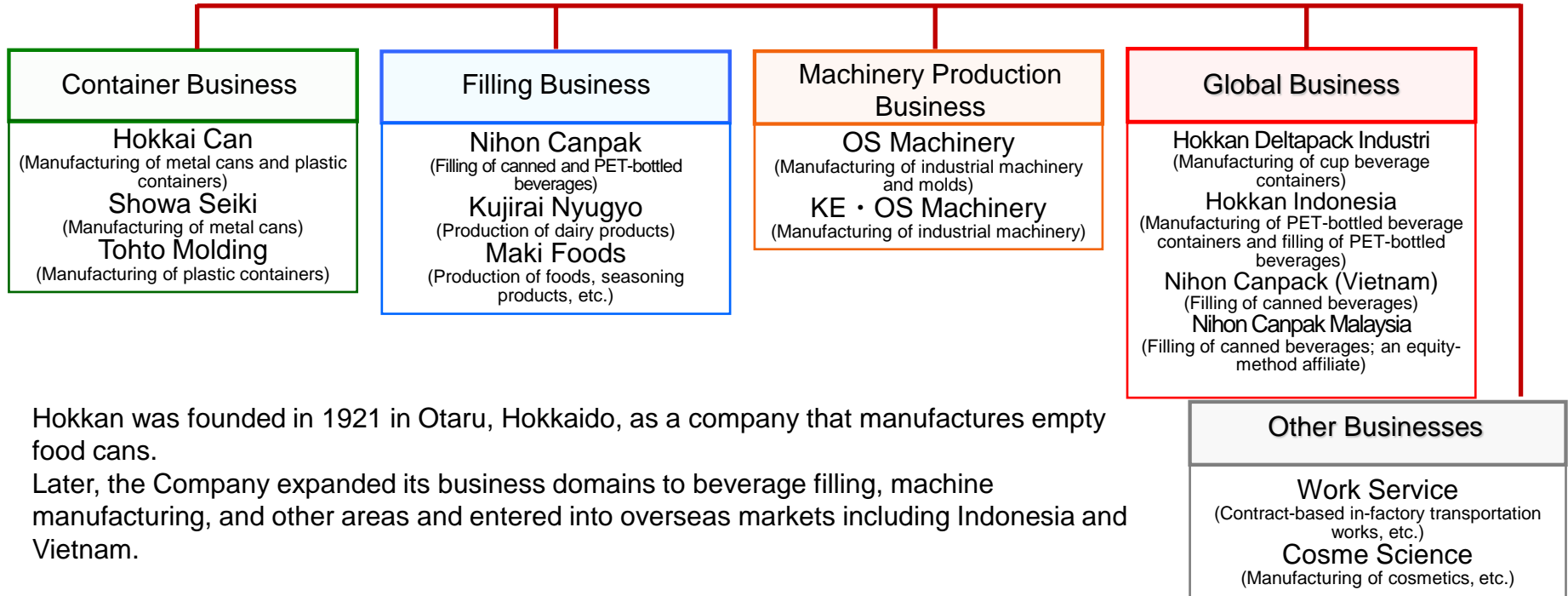
2Q FYE Mar. 31, 2023 Results

Briefing Material

Appendix

Pure holding company	
Trade name	Hokkan Holdings Limited
Representative	Kosuke Ikeda, President & Representative Director
Date established	October 23, 1921
Capital	11,086 million yen
Listed markets	Tokyo Stock Exchange Prime Market and Sapporo Securities Exchange (securities code: 5902)
Head office address	Marunouchi Mitsui Building, 2-2-2 Marunouchi, Chiyoda-ku, Tokyo

Consolidated subsidiaries: 13
Equity-method affiliate: 1
(As of Sep. 30, 2022)

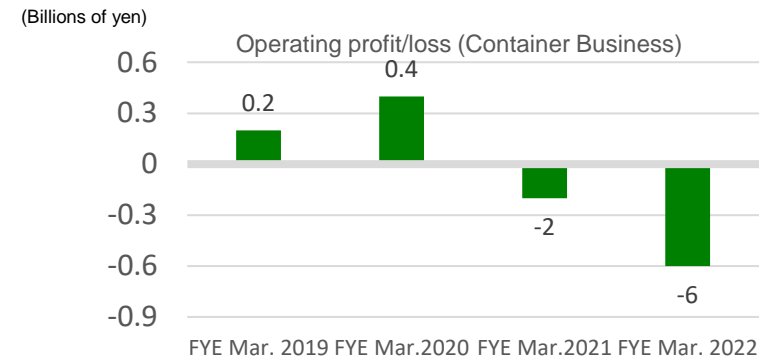
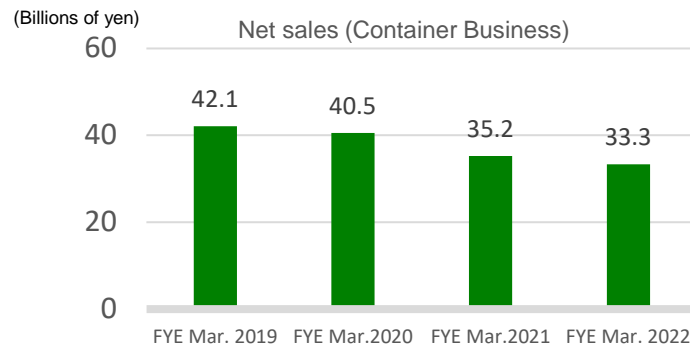


Hokkan was founded in 1921 in Otaru, Hokkaido, as a company that manufactures empty food cans.

Later, the Company expanded its business domains to beverage filling, machine manufacturing, and other areas and entered into overseas markets including Indonesia and Vietnam.

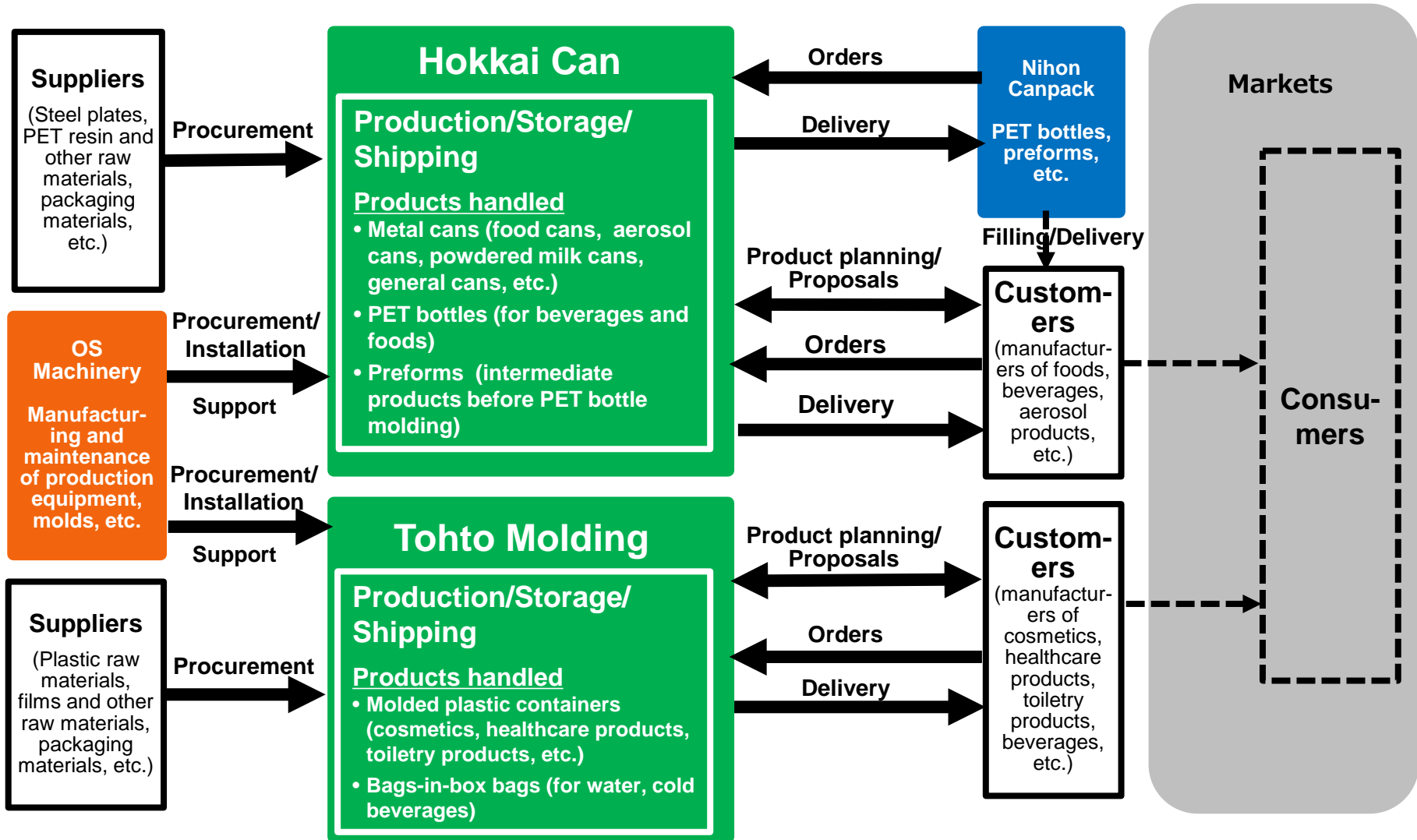
■ Container Business

Main products and services	Operating companies (Consolidated subsidiaries)
<p>(1) Manufacturing of metal cans Manufacturing and sale of steel containers and packaging, such as empty cans for foods and beverages, aerosol products, etc., and art cans with beautiful designs</p>	<p>Hokkai Can Co., Ltd. Manufacturing of metal cans and plastic containers</p>
	<p>Showa Seiki Co., Ltd. Manufacturing of metal cans (A subsidiary of Hokkai Can Co., Ltd.)</p> <p>Tohto Molding Co., Ltd. Manufacturing of plastic containers (A subsidiary of Hokkai Can Co., Ltd.)</p>
<p>(2) Manufacturing of plastic containers Manufacture and sale of PET bottles for foods and beverages, plastic containers and packaging for cosmetics, healthcare products, toiletries, etc.; sale of preforms (intermediate products before PET bottle molding)</p>	



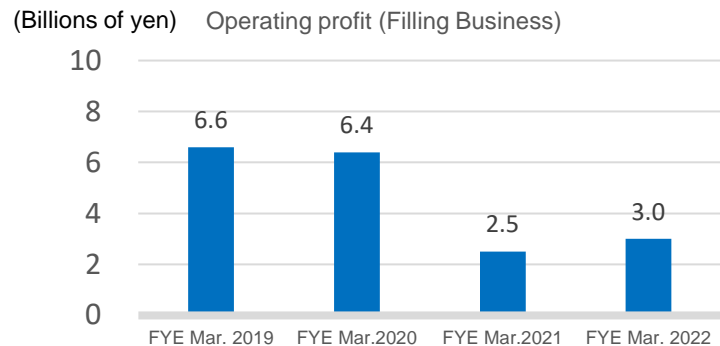
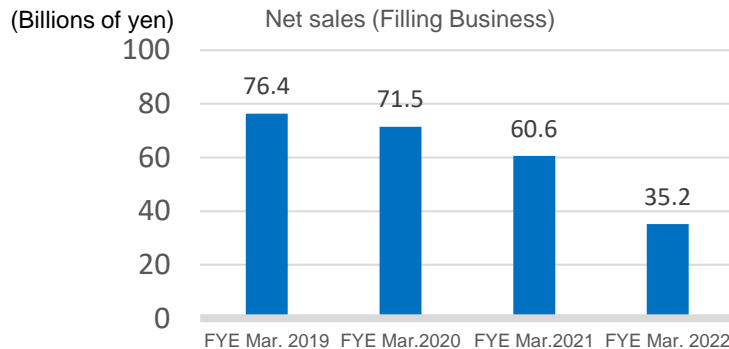
Note: As a result of the adoption of the Accounting Standard for Revenue Recognition, etc. from the beginning of the FYE 3/31/2022, net sales decreased by 2,677 million yen and operating loss increased by 1 million yen.

■ Container Business (Value Chain of Hokkai Can + Tohto Molding)



Filling Business

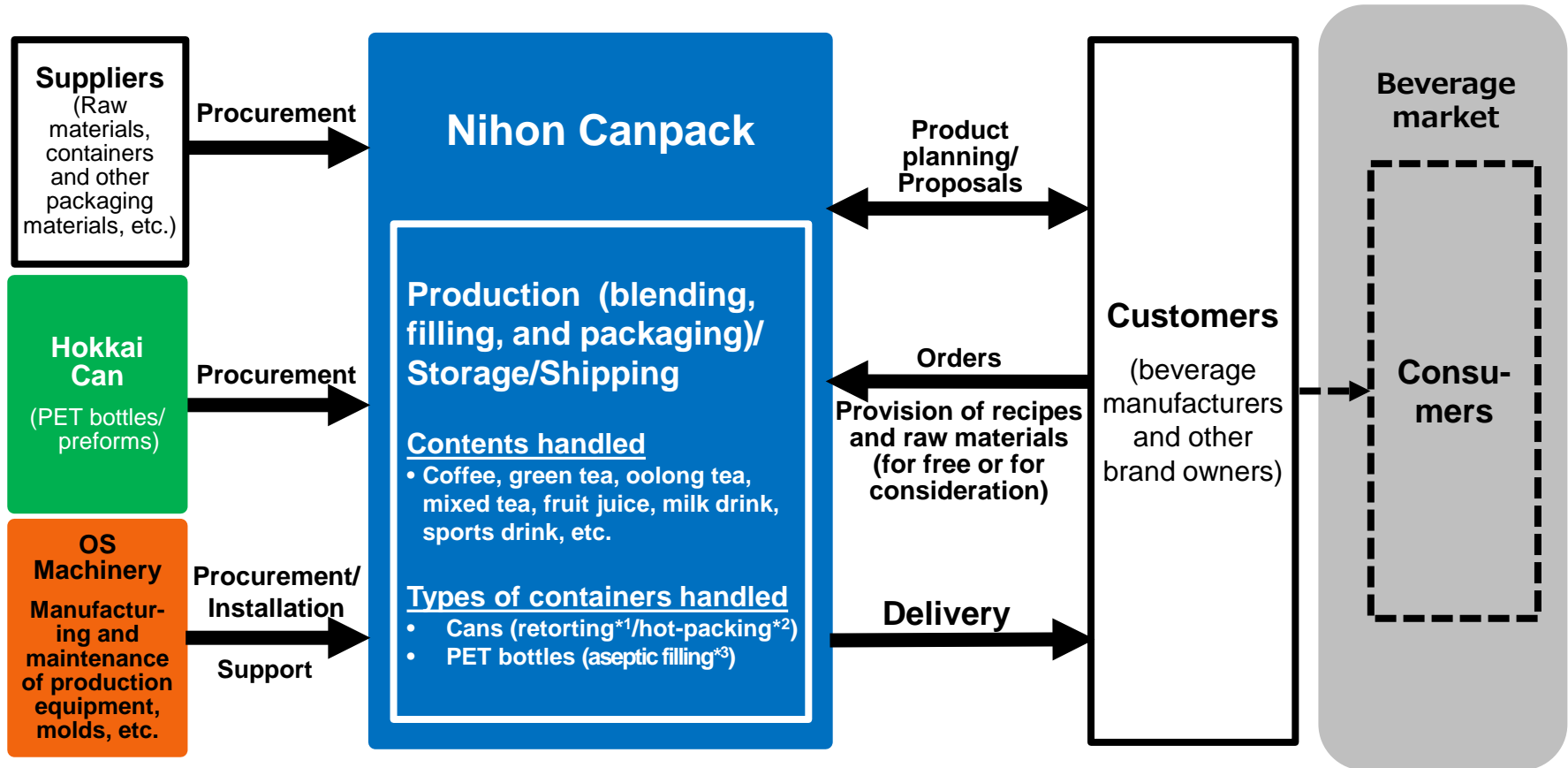
Main products and services	Operating companies (Consolidated subsidiaries)
<p>(1) Contract-based beverage filling Contract-based canned and PET-bottled beverage filling</p> 	<p>Nihon Canpack Co., Ltd. Contract-based beverage filling</p>
<p>(2) Contract-based manufacturing of foods and dairy products Contract-based manufacturing of dairy products, soups, sauces, health supplements, etc.</p> 	<p>Kujirai Nyugyo Co., Ltd. Contract-based manufacturing of dairy products (A subsidiary of Nihon Canpack Co., Ltd.)</p> <p>Maki Foods Co., Ltd. Contract-based manufacturing of foods (A subsidiary of Nihon Canpack Co., Ltd.)</p>



Note: As a result of the adoption of the Accounting Standard for Revenue Recognition, etc. from the beginning of the FYE 3/31/2022, net sales and operating profit decreased by 28,112 million yen and 11 million yen, respectively.

About the Hokkan Group

■ Filling Business (Value Chain of Nihon Canpack)



*1 Retorting (pressurized heat sterilization): A method of heating and sterilizing a container as a whole after filling the content liquid

*2 Hot-packing (high-temperature filling): A method of filling heat-sterilized contents into a heat-resistant container at a high temperature

*3 Aseptic filling: A method of filling containers with aseptic contents at room temperature in an aseptic environment

⇒ Transportation costs and CO₂ emissions can be reduced as PET bottles are molded in-house from preforms

⇒ Because it is filled at room temperature, PET bottles can be made lighter and less resource-consuming compared to those for hot-packing

■ Filling Business


Total Packaging System

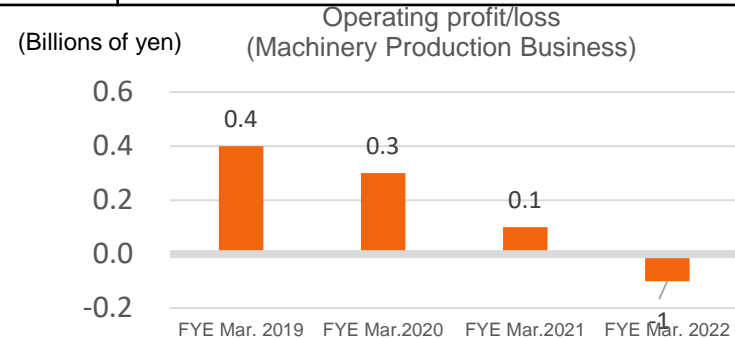
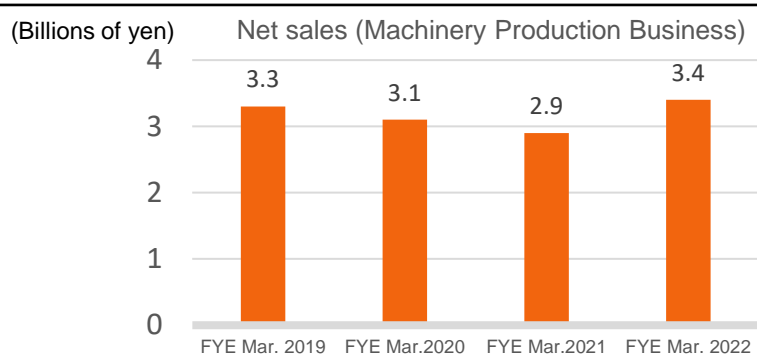
The beverage market in Japan has matured, so that it is difficult to expect more demand in the future. On the other hand, competition has been intensifying in the beverage market. In that situation, we put our priority to develop and introduce more attractive products than other competitors to take advantage in the market. Moreover, reduction of the cost will be another key to advance in the competitive market.

Because of that market situations, we implied total packaging system, which consistently performs procurement of raw materials, development of products, line inspection, manufacturing processes of mixing and filling, packing, and shipping. We implied this system ahead of the market, and the advantage of the system is to reduce the total product cost with high productivity and quality. As a result, we have earned customer's trust.




Machinery Production Business

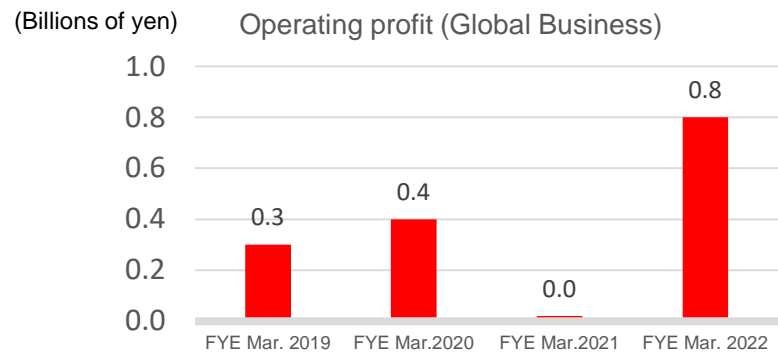
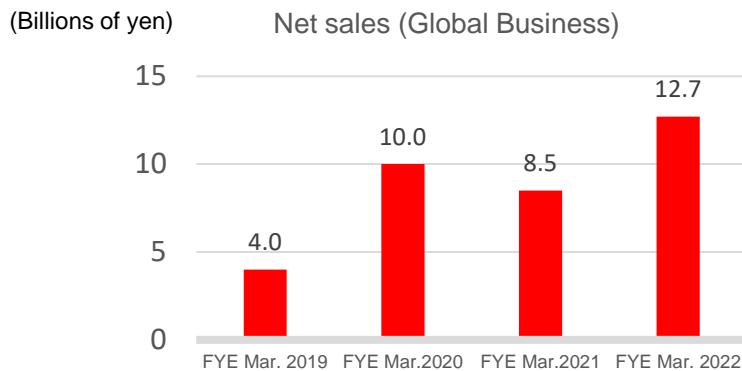
Main products and services	Operating companies (Consolidated subsidiaries)
<p>○ Manufacturing of industrial machinery and molds Manufacturing of various production equipment, machinery, molds, etc.</p> 	<p>OS Machinery Corp. Manufacturing of Industrial machinery and molds</p> <p>KE · OS Machinery Co., Ltd. Manufacturing of industrial machinery (A subsidiary of OS Machinery Corp.)</p>



Note: As a result of the adoption of the Accounting Standard for Revenue Recognition, etc. from the beginning of the FYE 3/31/2022, sales increased by 800 million yen and operating loss decreased by 132 million yen.

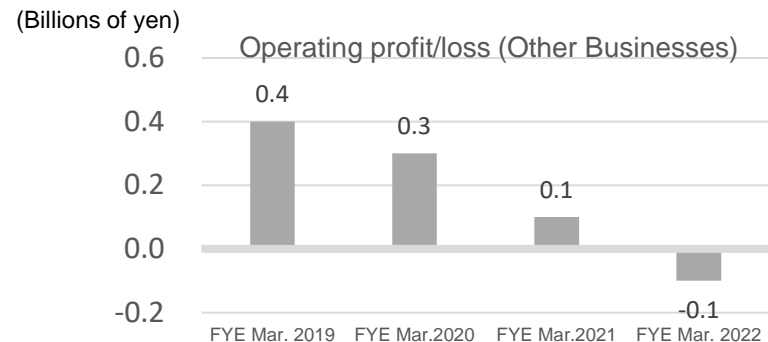
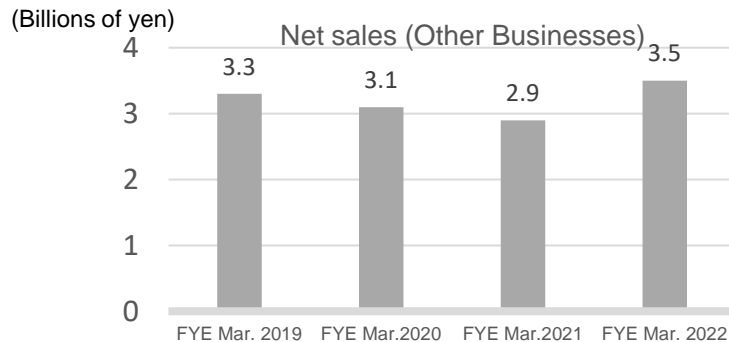
Global Business

Main products and services	Operating companies (Consolidated subsidiaries)
<ul style="list-style-type: none"> ○ Manufacturing and sale of beverage containers and contract-based beverage filling in Southeast Asia <div style="display: flex; justify-content: space-around;">   </div> <div style="display: flex; justify-content: center; margin-top: 10px;">  </div>	<p>PT. Hokkan Deltapack Industri Manufacturing of cup-beverage containers</p> <p>PT. Hokkan Indonesia Manufacturing and contract-based filling of PET-bottled beverage containers (A subsidiary of Nihon Canpack Co., Ltd.)</p> <p>Nihon Canpack (Vietnam) Co., Ltd. Contract-based filling of canned beverages (A subsidiary of Nihon Canpack Co., Ltd.)</p>



Other Businesses

Main products and services	Operating companies (Consolidated subsidiaries)
<p>(1) Contract-based manufacturing of cosmetics, etc.</p>  <p>(2) Contract-based in-factory transportation and other services</p> 	<p>Cosme Science Co., Ltd. Manufacturing of cosmetics, etc. (A subsidiary of Hokkai Can Co., Ltd.)</p> <p>Work Service Co., Ltd. Contract-based in-factory transportation and other services (A subsidiary of Hokkai Can Co., Ltd.)</p>



Note: As a result of the adoption of the Accounting Standard for Revenue Recognition, etc. from the beginning of the FYE 3/31/2022, net sales increased by 800 million yen and operating loss decreased by 132 million yen.

History

Year	Outline
1921	Hokkai Can Warehouse Co., Ltd. was established in Otaru City with 1 million yen in capital and began manufacturing and sales of cans as well as a warehousing business.
1941	Established Toyo Seikan Kaisha, Ltd. through a merger of eight can manufacturers; Hokkai Can continued to operate as the Otaru Plant of Toyo Seikan.
1948	Toyo Seikan was specified as a company that constitutes an excessive concentration of economic power based on the Act for Elimination of Excessive Concentration of Economic Power.
1950	Based on an Enterprise Reconstruction and Reorganization Plan, Toyo Seikan Otaru Plant and its accompanying facilities were separated from Toyo Seikan and reorganized into Hokkai Can (present Hokkan Holdings Limited) with 50 million yen in capital. Its head office was located in Tokyo. Showa Seiki Co., Ltd. (currently a consolidated subsidiary) was established. Hokkai Can was listed in Tokyo Stock Exchange.
1951	Listed on the Sapporo Stock Exchange
1955	Listed on the Osaka Securities Exchange (which was integrated with Tokyo Stock Exchange in 2013)
1961	Acquired capital in Tohto Molding Co., Ltd.
1973	Nihon Canpack Co., Ltd. was established and started to undertake contract filling of canned beverages.

■ History

Year	Outline
1974	OS Machinery Corp. was established.
1985	Work Service Co., Ltd. was established.
1996	Nihon Canpack Malaysia SDN. BHD. (an equity-method affiliate) was established.
2005	Hokkai Can Co., Ltd. was established through incorporation-type company split. The former Hokkai Can renamed its trade name as Hokkan Holdings Limited and transformed into a pure holding company.
2007	Kian Joo Canpack (Vietnam) Co., Ltd. (current Nihon Canpack (Vietnam) Co., Ltd.) was established.
2011	PT. Hokkan Indonesia was established.
2012	KE · OS Machinery Co., Ltd. was established.
2013	All shares of Cosme Science Co., Ltd. were acquired.
2014	Capital participation in Kujirai Nyugyo Co., Ltd.
2018	PT. Hokkan Deltapack Industri was established in Indonesia.
2021	All shares of Maki Foods Co., Ltd. were acquired.

■ Group Mission and Vision

Upon reaching the 100th anniversary, in May 2021, we developed, building on the pioneering spirit inherited from our founders, our new Group Mission as well as the Group Vision, Group Strategy, and Basic Policy on Sustainability, to clarify our raison d'être and mission and lay out our path forward into the future.

The values and guidelines established in our new corporate philosophy system are the basis of all our business activities. We will enhance mid- to long-term corporate value by addressing various social issues and growing in each of our business fields.

Group Mission

With the frontier spirit, we will keep challenging and providing products creating value to our society with our customers.

Group Vision

1. To be an indispensable entity for our valued customers and society, in each business field, we will develop and provide products and service which we can clearly assert "No.1" in a certain aspect.
2. We will eagerly keep on establishing new business bases so that we can offer our products and services to people around the world.
3. We will continue to be a fair corporate group giving credits to those contributing to our business, regardless of nationality, gender, or age.

Overview of Medium-term Business Plan “VENTURE-5”

- In May 2022, we announced “VENTURE-5,” the new Medium-term Business Plan for FY2022 to FY2026.

https://hokkanholdings.co.jp/en/wp-content/themes/hokkan_hd_eng/pdf/csr/venture-5-en.pdf

Group Strategy	Consolidated KPI	
<p>1. Optimization of human resources In order to optimize our human resources, which is the source of growth, we will establish appropriate personnel and education system, and invest actively to secure the best human resources who can contribute to creating value.</p>	<p>Operating profit</p> <p>FYE 3/31/2022 1.3 bil. yen</p>	<p>FYE 3/31/2027 5.6 bil. yen</p>
<p>2. Restructuring business in Japan We will sort our business in Japan with focusing on the earning power to provide high value to our customers.</p>	<p>Operating profit margin</p> <p>FYE 3/31/2022 1.5%</p>	<p>FYE 3/31/2027 5.5%</p>
<p>3. Expansion of business We will accelerate our business investment in emerging countries primarily in Southeast Asia to expand our sales and profit.</p>	<p>Debt-equity ratio</p> <p>FYE 3/31/2022 1.0 times</p>	<p>FYE 3/31/2027 0.9 times or less</p>
<p>4. New business development Utilizing M&A activities, we will globally penetrate new business fields, where we can take advantage of our expertise.</p>	<p>ROE</p> <p>FYE 3/31/2022 -2.3%</p>	<p>FYE 3/31/2027 5.8%</p>

Overview of Medium-term Business Plan “VENTURE-5”

Investment projects		
Container Business	Replacement of manufacturing machines, etc.	3 billion yen
	Machines for developing new containers	1 billion yen
	Other	0.5 billion yen
Filling Business	Installation of a new aseptic line	8 billion yen
	Replacement of manufacturing machines, etc.	6 billion yen
	New warehouse	4.5 billion yen
	Other	4 billion yen
Machinery Production Business	Replacement of manufacturing machines, etc.	1 billion yen
Global Business	Expansion of manufacturing capacity, etc.	3.5 billion yen
Other Businesses	Replacement of manufacturing machines, etc.	0.5 billion yen
Other	M&A	5 billion yen
	Total	37 billion yen

Overview of Medium-term Business Plan “VENTURE-5”

(Billions of yen)

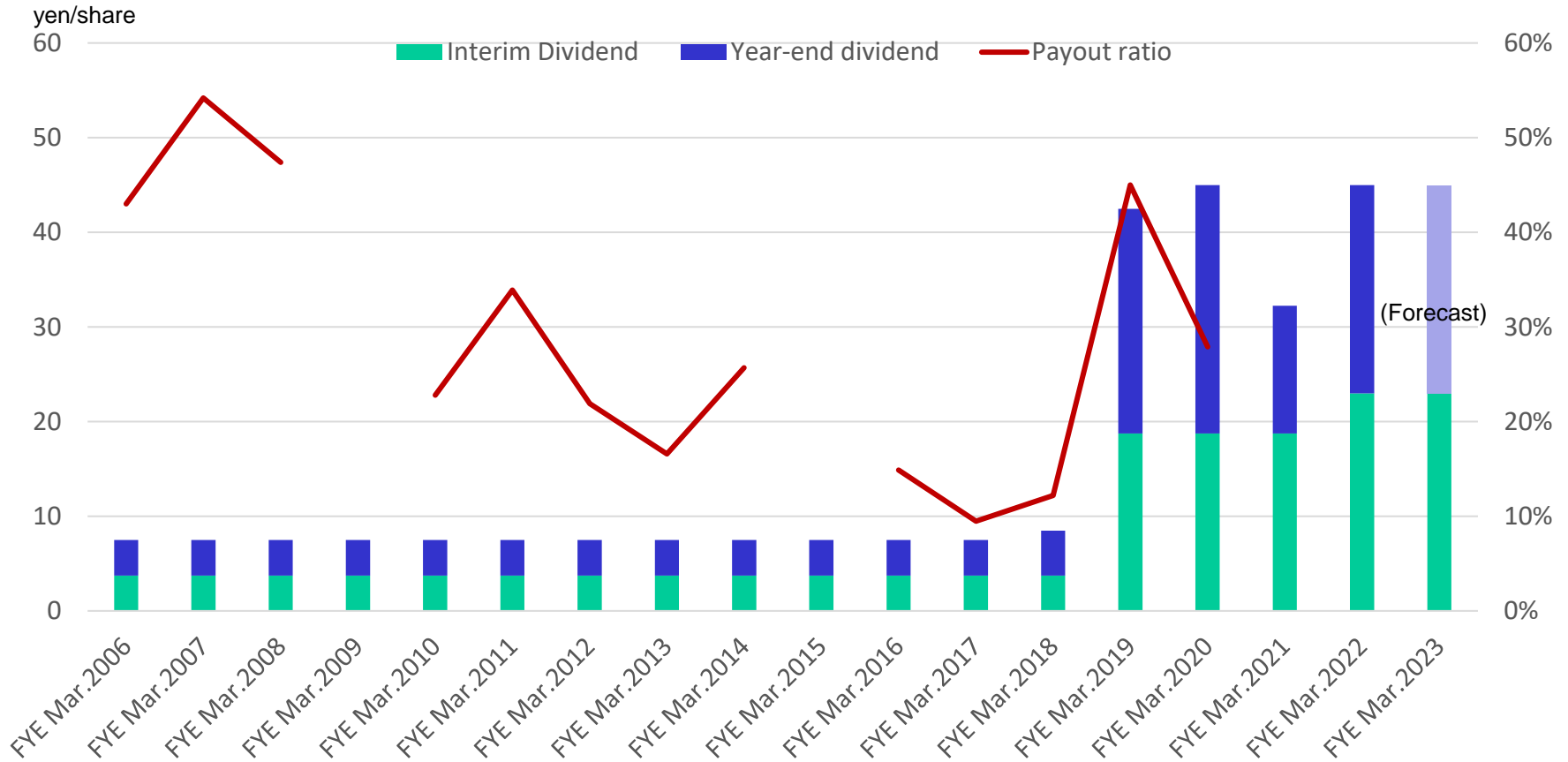
Consolidated numerical plan						
	FYE 3/31/2022 results	FYE 3/31/2023	FYE 3/31/2024	FYE 3/31/2025	FYE 3/31/2026	FYE 3/31/2027
Net sales	86.2	96.0	96.0	98.0	101.0	102.0
Operating profit	1.3	1.4	2.9	3.7	4.7	5.6
Operating profit margin	1.5%	1.5%	3.0%	3.8%	4.7%	5.5%
Debts	55.4	52.0	52.0	52.0	48.0	49.0
Equity	57.0	57.0	58.0	59.0	61.0	63.0
DE ratio	1.0	1.0	1.0	0.9	0.9	0.9
ROE	-2.3%	0.4%	2.6%	3.6%	4.9%	5.8%
Capital adequacy	37.2%	38.0%	38.0%	38.0%	40.0%	41.0%

Status of Shares

Reference date	September 30, 2022	March 31, 2022
Total number of authorized shares	48,000,000 shares	48,000,000 shares
Total number of issued shares (excl. treasury stock)	13,469,387 shares (12,620,572 shares)	13,469,387 shares (12,620,744 shares)
Number of shareholders	17,095	21,869
Number of tradable shares	79,484 units	78,755 units
Tradable share market capitalization	10,000 million yen (Closing price on Sept. 30, 2022: 1,264 yen/share)	10,200 million yen (Closing price on Mar. 31, 2022: 1,303 yen/share)
Average daily trading value	37 million yen (Oct. 1, 2021 through Sep. 30, 2022)	30 million yen (Apr. 1, 2021 through Mar. 31, 2022)
Trading share ratio	59.0%	58.4%

Note: Calculated based on the amount obtained by deducting the ToSTNeT trading value from the trading value in the Tokyo Stock Exchange's Monthly Quotations (Detailed Version).

Cash Dividends



Note 1: The Company implemented a share consolidation effective as of October 1, 2018, at a ratio of one share for every five common shares. For comparison and convenience purposes, certain adjustments were made to the interim dividend per share for the FYE 3/31/2019 above, taking the share consolidation into account.

Note 2: The dividend payout ratio is not shown for the FYE 3/31/2009, FYE 3/31/2015, FYE 3/31/2021, and FYE 3/31/2022, when loss attributable to owners of parent was recorded.

Shareholder Benefit Program

We offer shareholder benefits to express appreciation to our shareholders for their daily support, to help them better understand our business, and to increase the number of shareholders who hold our shares for a medium- to long-term.

Details of shareholder benefits

We send a gift box of canned foods and beverages (contained in cans we manufactured) once a year, as described below, to shareholders who own at least 100 shares of the Company's stock for a continuous period of 12 months or more as of March 31st (record date) of the year.* (Shipping area: Japan only)

Number of shares held	Details of the benefit
100–999	Assorted canned foods and beverages, etc. worth 3,000 yen
1,000–1,999	Assorted canned foods and beverages, etc. worth 6,000 yen
2,000 or more	Assorted canned foods and beverages, etc. worth 8,000 yen

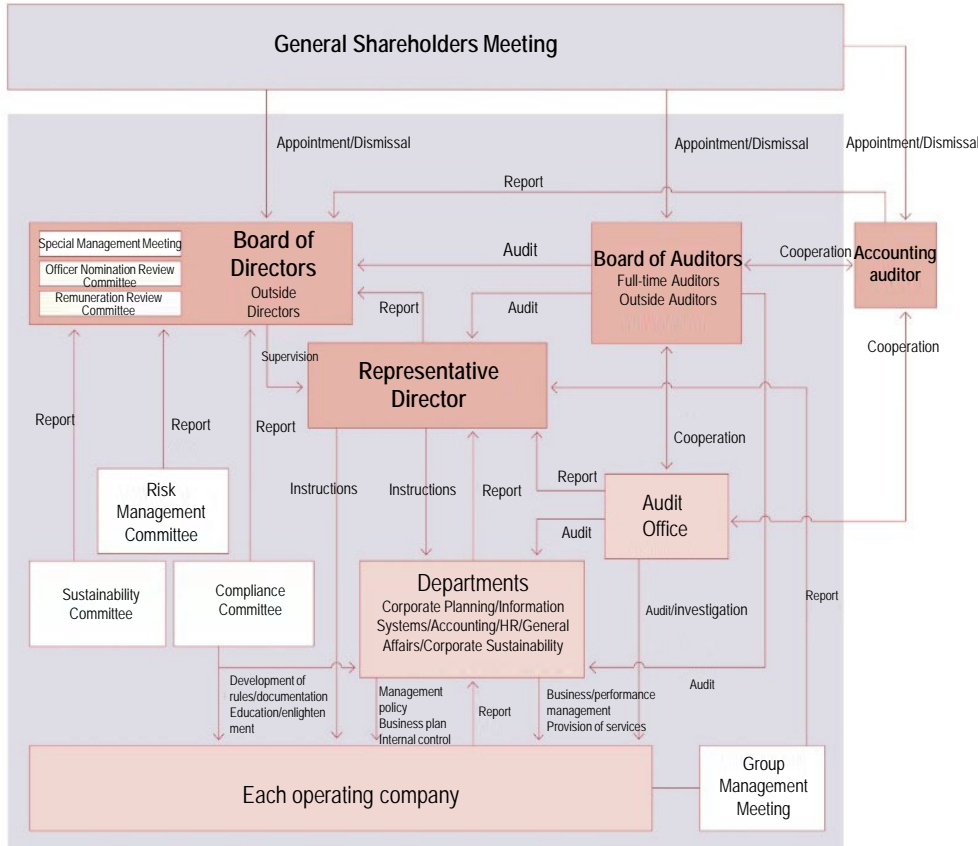
* Shareholders who are registered on all of the Company's shareholder lists as of the record dates (September 30 and March 31) of the current and previous years, with the holding of at least 100 shares and the same shareholder number

Transition period

Notwithstanding the above, with respect to the shareholder benefit program for the record date of March 31, 2023, we offer the benefit to those who are registered on each of the Company's shareholder lists as of March 31, 2023 and September 30, 2022, with the holding of at least 100 shares and the same shareholder number.

Basic Approach to Corporate Governance

(Schematic diagram of corporate governance)



➤ We built a business management system centered on the **Board of Directors** and **Board of Auditors**, placing focus on strengthening management transparency and enhancing corporate governance as our priorities.

➤ In principle, the **Board of Directors** holds its meeting monthly to make decisions on important matters, supervise the business execution, establish internal control systems, review the status of operation of the systems, and receive reports from the **Compliance Committee**, **Risk Management Committee**, and the **Sustainability Committee** to supervise the Group's risk management practices.

➤ The **Board of Auditors** holds a meeting regularly to carry out a stringent audit of Directors' execution of duties.

➤ We have set out the Policy on Appointment and Removal of Directors and Auditors to ensure the transparency in the officer appointment process. The majority of the **Officer Nomination Review Committee** shall be independent outside directors.

➤ We established the Policy for Determining Officers' Remuneration so that executive remuneration can provide a healthy incentive towards maximizing corporate value. The majority of the **Remuneration Review Committee** shall be independent outside directors.

➤ **Accounting Auditor:** We appointed Moore Mirai & Co. to conduct the Companies Act audits and the Financial Instruments and Exchange Act audits of the Company and the Group.

➤ Under the holding company system, we established the **Audit Office** to strengthen internal auditing and ensure the regulatory compliance, fairness, and ethics in our business activities.

Officers

List of Officers and Directors Skills Matrix

In order for the Company's Board of Directors to fulfill its roles and responsibilities appropriately, we expect each Director to demonstrate the knowledge and abilities (skills) below.

The Company considers that its Board of Directors as a whole is equipped with necessary skills.

Name	Positions and responsibilities (Main profession, qualification, etc.)	Corporate management	Sustainability	Corporate planning, M&A	Global business	Group business	Finance & accounting, tax affairs	Legal, risk management, compliance	HR development
Tsunenobu Kudo	Chairman and Representative Director	●					●		
Kosuke Ikeda	President and Representative Director	●		●	●	●			
Yasuhiro Sato	Director and Executive Managing Officer		●			●			
Hideaki Tada	Director and Executive Managing Officer					●			
Takuya Takeda	Director and Managing Officer General Affairs Dept., Human Resources Dept.							●	●
Toshiaki Sunahiro	Director and Managing Officer Accounting & Finance Dept., Corporate Planning Dept.			●			●		
Akiko Fujita	Outside Director (university professor)						●		
Kazuhide Koda	Outside Director (certified public accountant)						●		
Atsuko Watanabe	Outside Director (lawyer)							●	
Yuri Takeda	Full-time Auditor	<p>Note 1: Skills that the Company particularly expects each Director to demonstrate are determined by the Board of Directors with reference to the career summary of each Director. (Our criteria require Internal Directors to possess work experience of serving in the position of General Manager or higher for a certain period of time.)</p> <p>Note 2: The green-colored skills are those the Company particularly expects Outside Directors to demonstrate.</p>							
Motoki Watanabe	Auditor								
Masahiro Tajima	Outside Auditor (lawyer)								
Tetsuya Suzuki	Outside Auditor (tax accountant)								

Officers

■ Definitions of Skills to Be Held by the Company's Board Members

Skills	Definitions
(1) Corporate management	Skills to make managerial decisions from a broad perspective and to execute business management toward the enhancement of the Group's corporate value over a medium to long term, based on experience of corporate management in the position of the President or posts with responsibilities equivalent thereto, and with deep insight into and experience in corporate governance, management strategies, management planning, etc.
(2) Sustainability	Skills to promote sustainability management from the perspective of enhancing corporate value over a medium to long term based on issues of material importance for the Group
(3) Corporate planning, M&A	Skills to formulate and implement management strategies and management plans, inclusive of new business development and M&A, toward further development of the Group's businesses
(4) Global business	Skills to execute business operation toward further development, based on deep knowledge and experience in the Group's overseas operation and global business as a whole
(5) Group business	Skills to execute business operation toward further development, based on deep knowledge and experience in technical development, production, sales, etc. concerning the Group's three mainstay businesses (container, filling, and machinery businesses)
(6) Finance & accounting, tax affairs	Skills to execute business management toward the enhancement of the Group's corporate value over a medium to long term based on deep knowledge and experience regarding finance, accounting, and tax affairs, which are fundamental to management strategies and business management
(7) Legal, risk management, compliance	Skills to execute business management toward the enhancement of the Group's corporate value over a medium to long term based on deep knowledge and experience regarding legal affairs, risk management, and compliance, which are fundamental to management strategies and corporate governance
(8) Human resources development	Skills to promote human resource strategies such as retention of a diverse workforce and supporting their growth from the perspective of enhancing the Group's corporate value over a medium to long term

Compliance with the Corporate Governance Code (CGC)

■ CGC Principles for Which the Company Selected the “Explain” Option

➤ We selected the “Comply” option for all CGC principles except for the following two supplementary principles:

CGC Principles for which the Company selected the “Explain” option	Our response
<p>2.4.1</p> <p>Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions, as well as disclosing their status.</p> <p>In addition, in light of the importance of human resource strategies for increasing corporate value over the mid- to long-term, companies should present its policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.</p>	<p>We stated in our management vision that we continue to be a fair corporate group giving credits to those contributing to our business. The Company appoints managers based on the individuals’ ability and career formation, regardless of gender, nationality, and background, and discloses the current status of appointments. On the other hand, the Company hopes to hire and appoint people in a fair and just manner in line with its management vision, rather than based on a uniform numerical target. As a result, the Company selected the “Explain” option.</p>
<p>4.11.1</p> <p>The board should identify the skills, etc. that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with its view the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a “skills matrix.” When doing so, independent director(s) with management experience in other companies should be included.</p>	<ul style="list-style-type: none"> • The Company disclosed directors’ skills matrix. • Currently, considerations are under way to select appropriate candidates for independent outside directors who have management experience in other companies. <p>⇒ As a result, the Company will continue to select the “Explain” option.</p>

➤ For details, please refer to the [Corporate Governance Report \(in Japanese\)](#).

Cross-shareholdings

■ Policy on Cross-shareholdings

When a customer requests us to cross-hold shares, we accept the request only if the customer will continue to be our customer in the future, or is a company with which we need to strengthen relationships for strategic purposes. In addition, we assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the Company's cost of capital.

At least once a year, the Company's Board verifies the purpose and rationality of holding specific shares, and appropriately disposes of shares whose holding is determined to be irrational, by, for example, selling them in a sequential manner. In the FYE 9/30/2023, we disposed an unlisted stock (the amount recorded on B/S: 0 million yen).

■ Standards on Voting Rights

With respect to the voting rights associated with cross-shareholdings, the Company has a policy of determining whether the exercise of the voting rights will lead to the issuer's sustainable growth and the improvement of mid- to long-term corporate value. We may oppose proposals that may adversely affect the issuer's financial soundness or proposals to appoint as a director a person who is responsible for an illegal act.

	Mar. 2019	Mar. 2020	Mar.2021	Mar. 2022
Number of unlisted stocks held	12	11	11	10
Amount recorded on BS (billion yen)	0.2	0.2	0.1	0.1
Number of stocks held other than unlisted stocks	22	22	20	19
Amount recorded on BS (billion yen)	12.1	10.1	10.7	10.0

Disclosure of Other Matters Concerning Corporate Governance

■ Corporate Governance Guidelines

- The Company discloses its Corporate Governance Guidelines based on the resolution of its Board of Directors, in order to summarize the concept of corporate governance that the Company and the Group should comply with in the business management, and to contribute to the promotion and enhancement of dialogue with shareholders, investors, and other stakeholders.

https://hokkanholdings.co.jp/wp/wp-content/themes/hokkan_hd/pdf/ir/pdf/governance/cgguideline.pdf (in Japanese)

■ Evaluation of the Board's Effectiveness

- Every year, we commission a third-party organization to conduct a questionnaire survey to all Directors and Auditors on the overall effectiveness of the Board of Directors. Based on the analysis results of the survey, issues that need to be addressed and corresponding solutions are discussed by the Board. For the results of the evaluation of the Board's effectiveness for FYE 3/31/2022, please visit:

https://hokkanholdings.co.jp/en/wp-content/themes/hokkan_hd_eng/pdf/ir/pdf/governance/evaluation.pdf

For details on other corporate governance initiatives, please visit our website.

<https://hokkanholdings.co.jp/en/ir/governance/>

Basic Approach to Sustainability

Hokkan Group clearly recognizes that our activities must be sustainable and in harmony with the environment and society in order for us to continue growing in each of our business fields. To this end, we will proactively work toward solving various social challenges directly and indirectly related to our business activities.

We implement our sustainability initiatives based on the eight basic policies to solve issues raised therein. In particular, we place importance on the achievement of a sustainable global environment, development of environmentally friendly products, and harmony with local communities.



Hokkan Group's Materiality and KPI Setting

Materiality	Initiative theme	KPIs and targets
Human rights	Embedding of sustainable procurement in the organization	<ul style="list-style-type: none"> • Achieve 100% sustainable procurement by 2025
	Identify negative impact on human rights; create a human rights due diligence system	<ul style="list-style-type: none"> • Identify and prevent negative impacts on human rights, and develop a human rights due diligence system that can mitigate such impacts by 2024
Employees	Occupational accidents	<ul style="list-style-type: none"> • Rate of lost-worktime injuries: 0.20 or below; Severity rate of occupational accidents: 0.00 • Each group company acquires external certification for safety and health (e.g. ISO45001) by 2025
	Health and productivity management	<ul style="list-style-type: none"> • Stress check rate of 100% by 2022 (for companies in Japan) • Efforts to be recognized as a Certified Health & Productivity Management Outstanding Organization (less smoking rate, better diet, increased opportunities for exercise, prevention of infectious diseases)
	Promotion of diversity	<ul style="list-style-type: none"> • Achieve 40% female ratio of applicants for primary screening of new graduates • Achieve a rate of employees with disabilities equal to or higher than the statutory rate by 2030
	Achievement of a good work-life balance	<ul style="list-style-type: none"> • Male employees take 100% of their childcare leaves by 2030 • Enhance initiatives that support a balance between work and childcare/nursing care and achieve a higher retention rate by 2025
Compliance	Developing various guidelines, implementing education and training, and embedding the code of conduct for officers and employees into the organization	<ul style="list-style-type: none"> • Ensure fair trade and eliminate anti-social forces • Ensure fair corporate activities and corporate ethics (including regulatory compliance) by continuing compliance training • Prevent various forms of harassment; ensure early resolution by utilizing the whistleblowing system

Hokkan Group's Materiality and KPI Setting

Materiality	Initiative theme	KPIs and targets
Global environment	Contribution to a decarbonized society	<ul style="list-style-type: none"> Achieve Scope 1 and 2 carbon neutrality by 2050 Reduce Scope 1 and 2 GHG emissions by 30% (from the FY2019 level) by 2030 Reduce Scope 3 GHG emissions by 20% (from the FY2019 level) by 2030
	Sustainable use of water resources	<ul style="list-style-type: none"> Reduce water intensity by 7% (from the FY2019 level) by 2030
	Contribution to resource-recycling society	<ul style="list-style-type: none"> Reduce the use of exhaustible resources Achieve zero waste disposal by incineration or landfill by 2030
Products	Environmentally friendly product development	<ul style="list-style-type: none"> Develop sustainable products and services <ul style="list-style-type: none"> Metal cans: Develop smaller and lighter containers according to customer needs PET bottles: Expand the use of recycled materials Contract filling: Ensure smooth production of environmentally friendly products supplied
	Quality improvement	<ul style="list-style-type: none"> Comply with laws and regulations Improve customer satisfaction No product recalls
Information management	Achievement and improvement of confidentiality, integrity, and availability of information assets	<ul style="list-style-type: none"> No information leakage
Local communities	Harmony with local communities	<ul style="list-style-type: none"> Be a corporate group trusted by local communities
Stakeholders	Sincere dialogue with stakeholders	<ul style="list-style-type: none"> Understand and address social issues necessary to be solved for the realization of a sustainable society

Sustainability Initiatives

■ Information Disclosure Based on TCFD Recommendations (May 2022)

- In response to our endorsement of the TCFD recommendations in February 2022, we summarize and disclose the impact of the risks and opportunities brought about by climate change on the Group's business.

https://hokkanholdings.co.jp/en/wp-content/themes/hokkan_hd_eng/pdf/csr/tcfid.pdf

■ Selected as a Constituent of the “FTSE Blossom Japan Sector Relative Index” (June 2022)

- As Hokkan Group's environmental, social, and governance (ESG) initiatives have met the evaluation criteria of FTSE Russell, a global index provider, we have been selected for the first time as a constituent of the FTSE Blossom Japan Sector Relative Index.

■ Publication of Sustainability Report 2022 (September 2022)

- We publish a summary of the Group's sustainability initiatives in a PDF format (in Japanese).

https://hokkanholdings.co.jp/wp/wp-content/themes/hokkan_hd/pdf/csr/pdf/202210.pdf

**For the details of our sustainability Initiatives,
please visit our website at:**

<https://hokkanholdings.co.jp/en/sustainability/>



Business Forecast and Future Prospect

Of all the information included herein, business forecast, management plans, management strategies, management policies etc. that we disclose, information that is not historical facts represents forward looking statements prepared to reflect management's decisions based on information available to the Company at the time and on certain assumptions that it deems reasonable. Actual results may differ significantly from those discussed in the forward-looking statements due to various risks and uncertainties.